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## **Moderate Hikes in Water Rates Allow City of Milpitas to Address Infrastructure Need**

The City of Milpitas is moving ahead with a plan to upgrade its aging infrastructure and stabilize its water supply systems and is calling for a moderate water rate hike to offset the incurred costs.

“The drought and the subsequent cut backs in water usage should serve as a reminder that it’s vitally important that the City maintain a structurally sound water supply system,” said City Manager Tom Williams. “The City has pledged to provide high quality water at the lowest possible rates, and we intend to honor that pledge.”

On Dec. 15, the City Council will vote on a two-year rate increase that would still leave Milpitas water rates competitive with the surrounding region. Starting in April 2016, the average single family residence charge in Milpitas would increase to \$98.75 bi-monthly, an increase of \$20.83 over the current rate or a \$10.42 per month increase. In July 2016, the second tier increase would hike the same water user bill to \$128.75 bi-monthly, an increase of \$30.00 or \$15.00 per month increase. Even with the hike, Milpitas compares favorably to the nearly \$100 monthly average charge in San Jose, Saratoga, Campbell and Los Gatos.

The rate increases are necessary to offset a significant jump in the price of water the City purchases from outside sources. The Santa Clara Valley Water District increased its rates by 20 percent, while the San Francisco Public Utilities Commission increased rates by 28 percent. The City is also facing a 10 percent increase in operational costs related to the drought response program and numerous maintenance and engineering issues, many tied to seismic upgrades.

If left unchanged, the current rates would be insufficient to cover the cost of providing water services to city residents.

“I want to emphasize that all the money raised through water rates is put back into the system – the City does not make a profit off its water rates,” Williams said. “Our engineers have put a program in place that we believe will preserve our water supplies while meeting the future needs of our residences and businesses.”

Even with the increase the water delivered to Milpitas residences is still a bargain comparatively. To put it in perspective, at the higher uniform rate, the cost for a gallon of water is \$0.007 versus \$8.00 for a gallon of bottled water.

City officials have received a number of inquiries about the rate proposal since it was announced last month and want to dispel rumors of exorbitant rate increases of 150 percent or more. Some residents have also wondered about the impact El Nino will have on the City's water supply and the subsequent need for a water rate increase.

While the upcoming winter storms are expected to ease the water emergency a bit, experts say it will take multiple years of higher than average rainfall to replenish water supplies in California. In addition, the rate hikes are needed to fund improvements in the City's aging infrastructure – improvements that are needed no matter what El Nino's impact this winter.

The \$20 million capital improvement project – coupled with an added \$22 million in critical projects that need to be addressed immediately – includes pipeline relocations, valve and system replacements, and improvements to groundwater pumps and other elements that will allow the City to expand its water supply portfolio.

Earlier this year, the City hired an independent consultant to determine the fairest and most equitable way to structure water rates in order to meet system demands. The resulting plan calls for moving from a tiered rate to a uniform rate system with two components – a fixed monthly charge determined on the basis of the size of a customer's water meter, calculated to recover the fixed costs of delivering water services; and a volume charge based on customer usage.